

1 CABINET FOR HEALTH AND FAMILY SERVICES

2 Department for Medicaid Services

3 Division of Hospitals and Provider Operations

4 (New Administrative Regulation)

5 907 KAR 3:181. In-state Inpatient Hospital Special Reimbursement Increase.

6 RELATES TO: KRS 205.639, 205.640, 42 CFR 440.10, 440.140, 447.250-447.280,  
7 42 USC 1395ww(d)(4)(C)(i),x(mm), 1396a, 1396b, 1396d

8 STATUTORY AUTHORITY: KRS 194A.030(2), 194A.050(1), 205.520(3), 205.560(2),  
9 205.641(2), 42 C.F.R. 447.252, 447.253, 42 U.S.C. 1396a, 2005 Ky Acts ch. 173, HB  
10 380 of the 2006 Session of the General Assembly

11 NECESSITY, FUNCTION, AND CONFORMITY: The Cabinet for Health and Family  
12 Services, Department for Medicaid Services has responsibility to administer the  
13 Medicaid Program. KRS 205.520(3) authorizes the cabinet, by administrative regulation,  
14 to comply with a requirement that may be imposed, or opportunity presented by federal  
15 law for the provision of medical assistance to Kentucky's indigent citizenry. This  
16 administrative regulation, in accordance with 2005 Ky Acts ch. 173 and House Bill 380  
17 of the 2006 Session of the General Assembly, establishes the method for determining  
18 special reimbursement increases for in-state inpatient acute care hospitals.

19 Section 1. Definitions.

20 (1) "Acute care hospital" is defined by KRS 205.639(1).

21 (2) "Department" means the Department for Medicaid Services or its designated

1 agent.

2 (3) "Diagnostic related group" or "DRG" means a clinically-similar grouping of  
3 services that can be expected to consume similar amounts of hospital resources.

4 (4) "Relative weight" means the factor assigned to each Medicare or Medicaid DRG  
5 classification that represents the average resources required for a Medicare or Medicaid  
6 DRG classification relative to the average resources required for all relevant discharges  
7 in the nation or state.

8 Section 2. In-state Inpatient Acute Care Hospital Reimbursement Increase.

9 (1) The department shall reimburse a lump sum payment to an in-state inpatient  
10 acute care hospital based on the hospital's Medicaid member DRG volume already  
11 adjudicated for claims with admission dates of July 1, 2005 through June 30, 2006.

12 (2)(a) Effective July 1, 2006, the department shall increase each DRG relative weight  
13 by seventeen (17) percent subject to the availability of funds pursuant to 2005 Ky Acts  
14 ch. 173.

15 (b) The DRG relative weight increase established in paragraph (a) of this subsection  
16 shall be a continuation of the relative weight increase which expired at close of business  
17 June 30, 2006 established in 907 KAR 3:180E submitted to the Legislative Research  
18 Commission on May 4, 2006 and shall not be an additional increase.

907 KAR 3:181

REVIEWED:

\_\_\_\_\_  
Date

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J. Thomas Badgett, MD, PhD, Acting Commissioner  
Department for Medicaid Services

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Date

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Mike Burnside, Undersecretary  
Administrative and Fiscal Affairs

APPROVED:

\_\_\_\_\_  
Date

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Mark D. Birdwhistell, Secretary  
Cabinet for Health and Family Services

A public hearing on this administrative regulation shall, if requested, be held on August 21, 2006, at 9:00 a.m. in the Health Services Auditorium, Health Services Building, First Floor, 275 East Main Street, Frankfort, Kentucky. Individuals interested in attending this hearing shall notify this agency in writing by August 14, 2006, five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. The hearing is open to the public. Any person who attends will be given an opportunity to comment on the proposed administrative regulation. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to attend the public hearing, you may submit written comments on the proposed administrative regulation. You may submit written comments regarding this proposed administrative regulation until close of business August 31, 2006. Send written notification of intent to attend the public hearing or written comments on the proposed administrative regulation to:

CONTACT PERSON: Jill Brown, Office of Legal Services, 275 East Main Street 5 W-B, Frankfort, KY 40601, Phone: 502-564-7905, Fax: 502-564-7573.

## REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Administrative Regulation #: 907 KAR 3:181

Cabinet for Health and Family Services

Department for Medicaid Services

Agency Contact Person: Stuart Owen or Stephanie Brammer-Barnes (502-564-6204)

- (1) Provide a brief summary of:
  - (a) What this administrative regulation does: This administrative regulation establishes the method for determining a lump sum payment and an increase in diagnostic related group (DRG) relative weights in accordance with 2005 Ky Acts ch. 173.
  - (b) The necessity of this administrative regulation: This administrative regulation is necessary to establish the methodology for an inpatient hospital lump sum payment and an increase in DRG relative weights in accordance with 2005 Ky Acts ch. 173.
  - (c) How this administrative regulation conforms to the content of the authorizing statutes: This administrative regulation conforms to the content of the authorizing statutes by establishing the methodology for an inpatient hospital lump sum payment and an increase in DRG relative weights in accordance with 2005 Ky Acts ch. 173.
  - (d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation assists in the effective administration of the statutes by establishing the methodology for an inpatient hospital lump sum payment and an increase in DRG relative weights in accordance with 2005 Ky Acts ch. 173.
- (2) If this is an amendment to an existing administrative regulation, provide a brief summary of:
  - (a) How the amendment will change this existing administrative regulation: This is a new administrative regulation.
  - (b) The necessity of the amendment to this administrative regulation: This is a new administrative regulation.
  - (c) How the amendment conforms to the content of the authorizing statutes: This is a new administrative regulation.
  - (d) How the amendment will assist in the effective administration of the statutes: This is a new administrative regulation.
- (3) List the type and number of individuals, businesses, organizations, or state and local government affected by this administrative regulation: Approximately sixty-five (65) acute care hospitals will be affected by this administrative regulation.
- (4) Provide an assessment of how the above group or groups will be impacted by either the implementation of this administrative regulation, if new, or by the change if it is an amendment: This administrative regulation increases in-state inpatient

acute care hospital reimbursement via a lump sum payment and an increase to DRG relative weights.

- (5) Provide an estimate of how much it will cost to implement this administrative regulation:
- (a) Initially: The Department for Medicaid Services (DMS) anticipates the administrative regulation will cost approximately \$5.0 million (\$3.8 million federal funds; \$1.2 million state funds) for State Fiscal Year (SFY) 2006.
  - (b) On a continuing basis: DMS anticipates the administrative regulation will cost approximately \$5.0 million (\$3.8 million federal funds; \$1.2 million state funds) for SFY 2006; however, given that funds are to be distributed by July 31, 2006 as mandated by 2005 Ky Acts ch. 173 and HB 380 of the 2006 Session of the General Assembly, no continuing effect is anticipated.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: Federal funds authorized under the Social Security Act, Title XIX as well as Medical Assistance Revolving Trust Funds in accordance with 2005 Ky Acts ch. 173 and HB 380 of the 2006 Session of the General Assembly will be used to fund this administrative regulation.
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: Federal funds authorized under the Social Security Act, Title XIX as well as Medical Assistance Revolving Trust Funds in accordance with 2005 Ky Acts ch.173 and HB 380 of the 2006 Session of the General Assembly will be used to fund this administrative regulation.
- (8) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: This administrative regulation does not establish or directly or indirectly increase any fees.
- (9) Tiering: Is tiering applied? (Explain why tiering was or was not used)

Tiering was not appropriate in this administrative regulation because the administrative regulation applies equally to all those individuals or entities regulated by it. The regulation implements a lump sum inpatient hospital payment and a DRG relative weight increase in accordance with 2005 Ky Acts ch. 173 and HB 380 of the 2006 Session of the General Assembly. Out-of-state inpatient acute care hospitals are not included in 2005 Ky Acts ch. 173 and HB 380 of the 2006 Session of the General Assembly mandate.